



INSURANCE DIVISION  
Islamabad

Before Hasnat Ahmad, Director (Insurance)

*In the matter of*

Continental Insurance Company Limited

Show Cause Notice No. and Issue Date: ID/Enf/Continental/2017/9672 May 26, 2017

Date of Hearing: August 7, 2017

Attended By: Mr. Zubair Ali Khan  
Finance Manager  
M/s. Continental Insurance Company  
Limited

Date of Order: August 18, 2017

**ORDER**

Under Section 61 read with Section 156 of the Insurance Ordinance, 2000

.....

This Order shall dispose of the proceedings initiated against M/s. Continental Insurance Company Limited (the "Company"), its Chief Executive and Directors for alleged contravention of Section 61 of the Insurance Ordinance, 2000 (the "Ordinance of 2000"). The Company, its Chief Executive and Directors shall be collectively referred to as the "Respondents" hereinafter.

2. During examination of the Annual Audited Accounts and Regulatory Returns of the Company for the period ended December 31, 2015, few deficiencies were observed. The Commission vide letter dated January 27, 2017, advised the Company to submit clarification/response to the said deficiencies by February 5, 2017.

3. It was observed that no reply was received from the Company till date of the Show Cause Notice (SCN) despite two reminders to the Company dated February 17, 2017 and March 27, 2017.

4. Further, upon failure to furnish the requisite information/documents, the Company was directed under Section 61 of the Ordinance vide letter dated April 27, 2017 to provide the information. The Company failed to respond to the said direction under Section 61 of the Ordinance.

*Has*

SECURITIES AND EXCHANGE  
COMMISSION OF PAKISTAN

Insurance Division, NIC Building,  
63 Jinnah Avenue, Islamabad, Pakistan

PABX: +92-51-9207091-4, Fax: +92-51-9100496, Web: www.secp.gov.pk



5. In addition to the above, the Commission in the matter of a complaint lodged by Mr. Ashraf Rizwan, advised the Company, vide letter dated April 14, 2017 to submit its comments. It was observed that no reply was received from the Company till date of the SCN despite issuance of two reminders to the Company dated April 20, 2017 and May 3, 2017.

6. Further, upon persistent failure to furnish the requisite information/comments, the Company was directed under Section 61 of the Ordinance vide letter dated May 11, 2017 to provide information/comments in the matter of the aforesaid complaint. The Company failed to respond to the said direction under Section 61 of the Ordinance.

7. In view of the above, it appeared that the Company and the above named proposed CEO & Directors violated the provisions of Section 61 of the Ordinance.

8. Section 61 of the Ordinance states that:

*“Power of Commission to call for information and access.- (1) The Commission may by notice in writing direct any insurer to supply the Commission, within such period as the notice may specify, with any information relating to its insurance business which the Commission may reasonably require.*

*(2) The Commission may direct that any information supplied under subsection (1) shall be certified by the principal officer of the insurer, by an independent auditor or in the case of a life insurer by the insurer’s appointed actuary.*

*(3) The Commission may by notice in writing direct the chief executive or principal officer of the insurer to discuss with the Commission any matter pertaining to the business or management of the insurer.*

*(4) The Commission may by notice in writing require the insurer to allow any officers of the Commission nominated for the purpose to observe, for such period as the Commission may specify, the manner in which the affairs of the insurer or of any of its offices or branches are being conducted.”*

9. Therefore, a Show Cause Notice (SCN) ID/Enf/Continental/2017/9672 dated May 26, 2017 was issued to the Respondents, calling upon them to show cause as to why the fine as provided under Section 156 of the Ordinance should not be imposed on them for the aforementioned alleged contraventions of the law.

10. Upon non-receipt of reply to the SCN, the Commission vide letter dated February 28, 2017 bearing no. ID/Enf/Continental/2017/10086 scheduled the hearing on July 4, 2017. However, Syed Nayyar Hussain Haider, Managing Director of the Company, vide letter dated July 4, 2017 sought additional period of 7 days to respond to the SCN. Hence, request of the Respondent was acceded to, and the Commission vide letter dated July 4, 2017, allowed a period of one week and scheduled the hearing for July 13, 2017. However, the Respondents neither attended the hearing nor submitted response to the SCN despite seeking extension.

*Handwritten signature/initials*





11. In order to provide Respondents a final opportunity of hearing, the Commission vide letter dated July 24, 2017 bearing no. ID/Enf/Continental/2017/10353 scheduled the hearing on August 7, 2017.

12. The hearing of August 7, 2017 was held at the Head Office of the Commission in Islamabad connected via video link with SECP's Karachi Office where Mr. Zubair Ali Khan, Finance Manager of the Company attended the hearing as Authorized Representative, representing the Respondents before the Commission in the instant matter.

13. Brief proceedings of the hearing of August 7, 2017 are as under:

- i. The Authorized Representative stated that letters sent by the Commission were overlooked;
- ii. He apprised that many key officers of the Company had left, therefore Commission's letters and both the notices under Section 61 could not be responded;
- iii. The Authorized Representative ensured that in future the Company would comply with the rules and regulations. The Authorized Representative was clarified that the Company in the past had given similar assurances to comply with the law;
- iv. The Authorized Representative informed that new Company Secretary has been appointed to look into affairs of the Company;
- v. The Authorized Representative further stated that to address the grievance of complainant, Mr. Ashraf Rizwan, Form 29 could not be updated due to technical issues. However, the Company is working with CRO Karachi to resolve the issues;
- vi. The Authorized Representative requested the Commission to take a lenient view in the matter.

14. The Company failed to respond to the Commissions letters and reminders and also failed to comply with the directions dated April 27, 2017 and May 11, 2017 issued under Section 61 of the Ordinance till date of the Show Cause Notice.

15. Subsequent to the issuance of the SCN dated May 26, 2017, the Company, however responded to some of the letters. During the hearing, Authorized Representative admitted negligence on part of the Company in responding to the Commission's letters and notices under Section 61 of the Ordinance. Therefore, it can be inferred that default was willful and was in the knowledge of the Respondents.

16. I have carefully examined and given due consideration to the written and verbal submissions of the Respondents, and have also referred to the provisions of the Ordinance, the Rules made thereunder and/or other legal references, I am of the view that the default of Section 61 of the Ordinance is established. Therefore, the fine as provided under Section 156 of the Ordinance can be imposed onto the Respondents i.e. the Company, its CEO and Directors.

*Handwritten signature*



17. Section 156 of the Ordinance provides that:

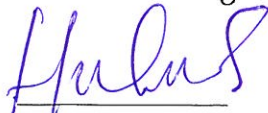
*“Penalty for default in complying with, or acting in contravention of this Ordinance.- Except as otherwise provided in this Ordinance, any insurer who makes default in complying with or acts in contravention of any requirement of this Ordinance, or any direction made by the Commission, the Commission shall have the power to impose fine on the insurer, and, where the insurer is a company, any director, or other officer of the company, who is knowingly a party to the default, shall be punishable with fine which may extend to one million rupees and, in the case of a continuing default, with an additional fine which may extend to ten thousand rupees for every day during which the default continues.”*

18. However, before proceeding further, I find it relevant to discuss the duties of the Directors who are, in addition to the day-to-day running of the Company and the management of its business, also have some ‘fiduciary’ duties i.e. duties held in trust and some wider duties imposed by statute. Hence, the Directors are gauged against a higher standard of accountability which requires them to be vigilant and perform their duties with due care. In the instant case, the Directors were required to ensure compliance with provisions of the Ordinance. Furthermore, the Directors should have responded to the directions issued to the Company under Section 61 of the Ordinance. The Directors are supposed to be well aware of their legal obligations in connection with the aforesaid statutory requirement of Section 61 of the Ordinance.

19. In exercise of the power conferred on me under Section 156 of the Ordinance read with S.R.O. 122(I)/2016 dated February 12, 2016 and S.R.O. 750(I)/2017 dated August 2, 2017, I, instead of imposing the maximum fine as provided under the said provisions, impose a fine of Rs. 100,000/- (Rupees Hundred Thousand Only) on the Company due to the default of Section 61 of the Ordinance, as mentioned in the above paras hereof. The Respondents are hereby warned to ensure full compliance with the Ordinance, rules, regulations and directives of the Commission in future. The Respondents are further directed to resolve the complaint filed by Mr. Ashraf Rizwan, ex-Company Secretary and Chief Accountant, within two (2) weeks of this Order.

20. Hence, the Company is hereby directed to deposit the applicable fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty (30) days from the date of this Order and furnish receipted vouchers issued in the name of the Commission for information and record.

21. This Order is issued without prejudice to any other action that the Commission may initiate against the Company and / or its management (including the CEO of the Company) in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

  
Hasnat Ahmad  
Director

